

ESG Training Document



Knowledge base and training

SCOPE

In the 2026 fashion landscape, **SCOPE Certification** has evolved from a niche sustainability metric into the industry's most critical "Passport to Trade." For the fashion sector—where over **90% of emissions** occur deep within the supply chain (Scope 3)—this audit is the only way to prove that "green" claims are backed by physical reality.

High-Level Training: SCOPE Certification Audit

A SCOPE audit in fashion is a systematic review by an accredited third party (e.g., Textile Exchange, GOTS, or ISO-accredited bodies) to verify that a facility is qualified to produce goods under specific environmental or carbon standards.

1. The Three Layers of Fashion Emissions

Understanding the "Scopes" is the first step for any factory manager. Auditors look for specific data points in each:

2. The Audit Workflow: From Prep to Certificate

A successful audit follows a rigorous "Chain of Custody" logic:

Opening Meeting & Boundary Setting: The auditor defines what is "inside" the factory gates (e.g., does the audit include the outsourced embroidery unit next door?).

Physical Site Inspection: Auditors walk the floor to verify that "Low Impact" materials are physically segregated from conventional materials to prevent contamination.

Mass-Balance Verification: The auditor checks: Input (1,000kg Organic Cotton) - Waste (50kg) = Output (950kg Garments). If the math doesn't add up, the certificate is denied.

The "Facility Appendix": In 2026, audits include a detailed list of all subcontractors.

Why SCOPE Certification is Mandatory for Fashion in 2026

A. Avoiding the "Greenwashing" Legal Trap

With the EU Green Claims Directive now in full effect, fashion brands can no longer use vague terms like "Eco-friendly" based on estimates. A Scope Certificate (SC) provides the legal "Safe Harbor" evidence required to label a product as sustainable in retail markets.

B. Digital Product Passport (DPP) Readiness

By early 2027, every garment sold in Europe must have a QR code linking to its Digital Product Passport. This passport pulls data directly from the factory's SCOPE audit. No audit = No QR code = No entry to the EU market.

C. Financial Incentives & Market Access

Category	Fashion Context	Key Audit Evidence
Scope 1 (Direct)	On-site boilers for dyeing, factory vehicles, backup generators.	Gas/Diesel invoices, maintenance logs for boilers, refrigerant leak reports.
Scope 2 (Indirect)	Purchased electricity for sewing machines and LED lighting.	Monthly utility bills, I-RECs (Renewable Energy Certificates).
Scope 3 (Value Chain)	Raw fibre production (cotton/polyester), shipping, and waste.	Supplier Transaction Certificates (TCs), logistics manifests, waste disposal receipts.

Preferred Status: Major global retailers now move 80% of their volume to "Certified Tier 1" partners.

Lower Interest Rates: Many factories now access "Sustainability-Linked Loans" where their interest rate drops as their audited Scope 1 and 2 emissions decrease.

"Scope vs. Transaction": Remember, a Scope Certificate (SC) proves your facility is capable of meeting the standard for one year. A Transaction Certificate (TC) is required for every single shipment to prove those specific goods actually met the criteria. You cannot have a TC without a valid SC.

ESPR and EPR

In 2026, the fashion industry has reached a regulatory tipping point. The combination of Extended Producer Responsibility (EPR) and the Eco design for Sustainable Products Regulation (ESPR) has fundamentally changed how garments are designed, sold, and retired.

This training module breaks down these two pillars and explains why they are the most important compliance factors for fashion brands today.

Pillar 1: ESPR (The "How to Make It" Rule)

The Eco design for Sustainable Products Regulation (ESPR) focuses on the beginning of a product's life. It mandates that products sold in the EU must be designed for longevity, circularity, and transparency.

Key Requirements for Fashion:

- The Textile Destruction Ban (July 19, 2026):** Large and medium-sized companies are now legally prohibited from destroying unsold apparel, footwear, and accessories.

- You must now disclose exactly how much unsold stock you have and what you did with it (e.g., resale, donation, or recycling).
- **Digital Product Passport (DPP):** Every garment must now carry a digital "ID card" (usually a QR code). This passport tracks material origin, recycled content, and reparability scores.
- **Performance Standards:** Products must meet minimum thresholds for durability (resistance to wear/tear) and recyclability (ease of fibre-to-fibre recovery).

Pillar 2: EPR (The "Who Pays for the End" Rule)

Extended Producer Responsibility (EPR) focuses on the end of a product's life. It shifts the financial burden of waste management from the taxpayer to the fashion brand.

How It Works in 2026:

- **The "Polluter Pays" Fee:** Brands pay a fee for every item placed on the market. These funds finance the collection, sorting, and recycling of textile waste.
- **Eco-Modulation:** This is the "carrot and stick" of EPR.
- **Lower Fees:** If your garment is easy to recycle or made of high-quality recycled fibres, your EPR fee is reduced.
- **Higher Fees:** "Fast fashion" items that are difficult to repair or made of low-quality blends face significant financial penalties.
- **Mandatory Take-Back:** In many regions, brands are now required to provide free collection points for used textiles, ensuring they don't end up in landfills.

Why These Two Matter Together (The "Golden Thread")

The ESPR and EPR are designed to work as a single machine. ESPR forces you to design better products, which then allows you to pay lower EPR fees.

The Risk of Non-Compliance in 2026

Ignoring these regulations is no longer just a "sustainability risk"—it is a terminal business risk:

- **Market Exclusion:** Products without a DPP or that fail ESPR durability tests can be blocked at EU customs.
- **Financial Penalties:** EPR fees can consume up to 5–10% of profit margins for brands that do not optimise for circularity.
- **Legal Action:** Under the EU Green Claims Directive, using terms like "Circular" without verified DPP data is considered consumer fraud.

Feature	ESPR (Design Phase)	EPR (End-of-Life Phase)
Focus	Product Performance & Data	Waste Management & Funding
Primary Tool	Digital Product Passport (DPP)	Eco-Modulated Fees
Goal	Make products that last longer.	Ensure no garment goes to a landfill.
Business Impact	High R&D and data tracking costs.	Direct financial tax on volume sold.

Key Takeaway: In 2026, sustainability is a math problem. If you design for durability (ESPR), you save money on waste taxes (EPR).

Compliance is no longer a back-office function; it is a competitive advantage. The integration of ESPR and EPR into our core operations ensures that we stay ahead of market bans and financial penalties

